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Commonwealth of Kentucky
Public Service Commission
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Department of Public Protection

June 6, 2008

Honorable Russell Meyer
Post Office Box 450
Nicholasville, Kentucky 40340-0450

Mr. Thomas P. Calkins
Post Office Box 450
Nicholasville, Kentucky 40340-0450

Gentlemen:

Jessamine County Water District No. 1 and Jessamine-South Elkhorn Water District have advised the Public Service Commission that the City of Nicholasville ("Nicholasville") has or will shortly increase its rate for wholesale water service.

In *Simpson County Water District v. City of Franklin*, 872 S.W.2d 460 (Ky. 1994), the Kentucky Supreme Court held that the Public Service Commission has jurisdiction over contracts between municipal utilities and public utilities and that changes in any rate that a municipal utility assesses a public utility for wholesale utility service must be approved by the Public Service Commission. Pursuant to the *Simpson County Water District* decision, the Public Service Commission in Administrative Case No. 351 directed that "[a]ny municipal utility wishing to change or revise a contract or rate for wholesale utility service to a public utility shall, no later than 30 days prior to the effective date of the revision, file with the Commission the revised contract and rate schedule." A copy of the *Simpson County Water District* decision and the Public Service Commission's Order are enclosed.

Consistent with KRS 278.160 and the Public Service Commission's Order in Administrative Case No. 351, contracts and rate schedules filed with the Public Service Commission shall control the rates and conditions of service of the parties. Changes to those currently on file with the Public Service Commission shall be made in accordance with KRS 278.180 and Administrative Regulation 807 KAR 5:011. Until such changes are approved by the Commission, the prior contracts and rate schedules remain in effect.

The Public Service Commission has not approved any adjustment in Nicholasville's wholesale water service rate (including any additional fee or charge related to withdrawal fees that the Kentucky River Authority assesses). Therefore,

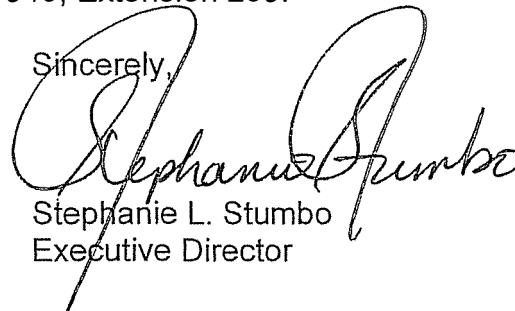
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Nicholasville may bill Jessamine County Water District No. 1 and Jessamine-South Elkhorn Water District only at the rates contained in the most recent rate schedule that Nicholasville has filed with the Commission. Until Nicholasville files its proposed revisions with and obtains the approval of the Public Service Commission, it may not charge Jessamine County Water District No. 1 and Jessamine-South Elkhorn Water District a rate that differs from that rate schedule. Furthermore, if Nicholasville is currently charging a rate that differs from those on file with the Public Service Commission, it must either refund the additional charges collected or credit that amount to the wholesale customer's account. I respectfully request that Nicholasville advise the Public Service Commission within 10 days of the date of this letter of the action that it intends to take to resolve this situation.

For your reference, I am enclosing the Public Service Commission's letter of October 16, 2007, which contains detailed guidance on the procedures that a municipal utility must follow when changing its rates for utility service to public utilities.

Any questions regarding this letter should be directed to Gerald Wuetcher, Assistant General Counsel, at (502) 564-3940, Extension 259.

Sincerely,

A handwritten signature in black ink, appearing to read "Stephanie L. Stumbo". The signature is fluid and cursive, with a large initial "S".

Stephanie L. Stumbo
Executive Director

3 Enclosures

Cc: Jessamine County Water District No. 1
Jessamine-South Elkhorn Water District